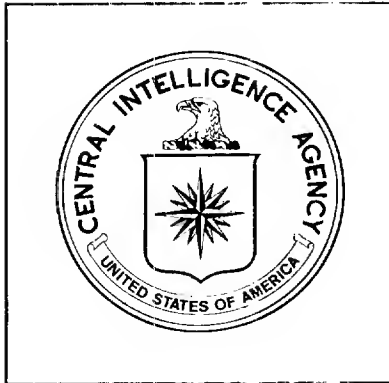


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STAFF NOTES:

Soviet Union Eastern Europe

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This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Poland: Changes in Gierek's Economic Team

Mieczyslaw Jagielski, who has never fully recovered from a severe heart attack that he reportedly suffered last May, has been replaced as chief of Poland's Planning Commission by Tadeusz Wrzaszczyk, former minister of machine industry.

The announcement of Jagielski's removal was coupled with the word that he will retain his post as vice premier. This was apparently an attempt to squelch speculation Jagielski is paying a price for Poland's current economic problems. Line ministries will presumably be the first scapegoats, and they have not yet been fingered. Past reports have touted Jagielski for his economic expertise, and he was at one time the logical choice to succeed Premier Jaroszewicz when he retired.

The US embassy in Warsaw has described the 43-year-old Wrzaszczyk as the leading "Americanizer" in Poland's industrial modernization program and "the man who symbolizes party leader Gierek's commitment to sharply increased trade with the US." His elevation to become both the planning chief and a vice premier indicates that this policy will be continued. The selection of Wrzaszczyk assumes particular importance in view of recent reports that Soviet Premier Kosygin accused Gierek in August of orienting his policies too much toward the West.

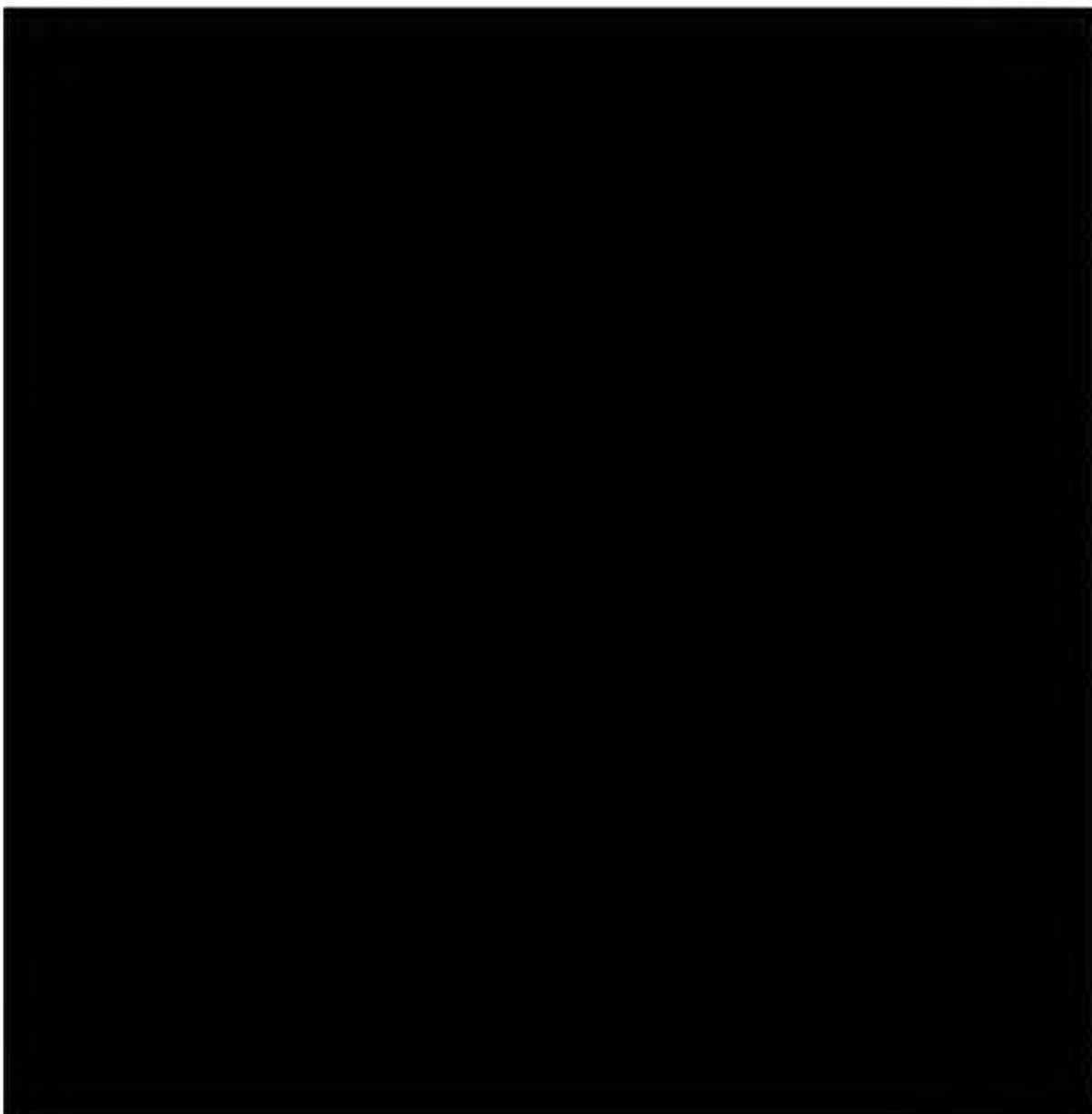
Wrzaszczyk's promotion will undercut some opposition in the State Planning Commission to Gierek's policy of accelerating trade with the West. Earlier this year, planning officials argued for a reduction in import growth to curb Poland's ballooning hard-currency debt. Adoption of such a policy by the regime would hinder Gierek's drive to modernize industry and to increase the availability of Western goods to satisfy rapidly rising consumer demand.

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During a visit last June to the US, Wrzaszczyk, a technocrat, discussed the purchase of nearly two billion dollars worth of machinery and equipment with US businessmen and Export Import Bank officials. Wrzaszczyk's former ministry is in the final stages of negotiations on a \$600-million General Motors proposal for a plant to produce delivery vans; a \$250 million Swindell-Dressler bid on the Statowa Wola forge and foundry; a \$150-million General Electric proposal for a bar mill at Huta Nowotko; a \$110-million RCA proposal for color picture tube technology; and Rockwell and Grumman proposals for cooperative production of crop-dusting aircraft and aircraft engines. (SECRET)

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Hungary: Premier Lazar Visits Moscow

Bilateral economic issues and European security matters apparently headed the agenda of Hungarian Premier Lazar's official talks in Moscow from October 21 to 23.

The main economic topics, according to Hungarian press reporting, were energy, machine production, and agricultural cooperation. Budapest appears to be seeking assurances on long-term raw material deliveries from the Soviet Union and Moscow's support of Hungarian plans to restructure its machine industry. One Hungarian press item suggests Budapest wants to swap increased agricultural deliveries for Soviet raw materials, machinery, and equipment.

Progress in the economic talks was limited, although the two sides did sign a very modest agricultural agreement under which Hungary will export almost three million dollar's worth of fruit and vegetables to the USSR over the next 15 years.

Soviet reporting on the visit concentrates on discussions of the European political situation in the aftermath of the Helsinki accord. The Soviet news agency, Tass, says that special attention was paid to "possible concerted measures to consolidate and implement" the decisions taken at Helsinki. This formulation suggests either that Hungary is out in front of Moscow on future measures to be taken or that the Soviets are asking Budapest to float some proposal.

The visit also satisfied important protocol requirements. This was Lazar's first official trek to Moscow since he succeeded Jeno Fock as government head last May. Budapest and Moscow probably saw the need for a Soviet trip before November, when Lazar will visit Italy. (CONFIDENTIAL)



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US-USSR: Soviet Interest in Machine
Tooling for Wide-Body Aircraft

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The Soviets have reportedly decided not to purchase either US or West European wide-bodied aircraft, but to produce an aircraft of their own design. Last week, officials of the Soviet State Committee for Science and Technology asked a US business representative in Moscow for assistance in locating US manufacturers of machinery used in aircraft production. The Soviet officials are aware of the potential licensing difficulties. Although the officials said they were awaiting a "green light" from committee Deputy Chairman Gvishiani before making any formal approach to a US firm, they would not have shown interest without Gvishiani's approval.

2
The acquisition of machine tools and technology for the production of wide-body aircraft has been the focus of Soviet talks with US aircraft manufacturers for the past four years. At first, the Soviets discussed an outright purchase of wide-body aircraft. As discussions progressed, however, the USSR tied aircraft purchases to US assistance in fitting out an aircraft manufacturing facility in the USSR. When US officials refused, the Soviets dropped the discussions of aircraft purchases.
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